

FISCAL NOTE

SB 409 - HB 809

March 5, 2007

SUMMARY OF BILL: Exempts eggs, flour, sugar, milk, baby food, and baby formula from state and local sales tax, effective July 1, 2007.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - \$20,685,000 / General Fund
\$46,393,000 / Education Fund
\$262,000 / Department of Revenue
\$655,000 / Sinking Fund

Decrease Local Govt. Revenues - \$30,000,000

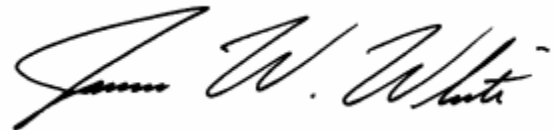
Assumptions:

- Taxable sales for food and food ingredients have been estimated to be approximately \$8,146,126,000 in Tennessee for FY07-08.
- Based from data obtained from the U.S. Department of Labor's Consumer Expenditure Survey and the U.S. Department of Agriculture's Special Supplemental Nutrition Program for Women, Infants, and Children, approximately 14.581% of all food and food ingredient expenditures are for the specific items identified in this legislation.
- Taxable sales for eggs, flour, sugar, milk, baby food, and baby formula in Tennessee for FY07-08 are estimated to be \$1,187,800,000 ($\$8,146,126,000 \times 14.581\% = \$1,187,786,632$).
- Current state sales tax rate on food and food ingredients is 6.0%.
- The decrease to state sales tax revenues is estimated to be \$71,268,000 ($\$1,187,800,000 \times 6.0\% = \$71,268,000$).
- The \$71,268,000 in state sales tax revenues would be apportioned as follows: \$20,685,000 to the General Fund, \$46,393,000 to the Education Fund, \$3,273,000 to local governments, \$262,000 to the DOR, and \$655,000 to the Sinking Fund.
- The net decrease to state revenues is estimated to be \$67,955,000 ($\$71,268,000 - \$3,273,000 \text{ local government share} = \$67,995,000$).
- The local option sales tax rate is estimated to average 2.25%.

- The decrease to local option sales tax is estimated to be \$26,726,000 ($\$1,187,800,000 \times 2.25\% = \$26,725,500$).
- The net decrease to local government revenues is estimated to be \$30,000,000 (\$26,726,000 local option sales tax revenue + \$3,273,000 state-shared sales tax revenue = \$29,999,000).
- The Department of Revenue (DOR) is authorized to promulgate rules and regulations to effectuate the provisions of this act.
- According to the DOR, the burden of defining food from the statute based on the streamlined sales tax project rules to the department on a case-by-case basis.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible.

James W. White, Executive Director